

1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE CALIFORNIA ECONOMY

The importance of small business to the state of California is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, California had 837,802 businesses with employees; 99.2 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 1,587,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 4.8 percent to \$81.6 billion in 1997, while wage-and-salary income rose 7.2 percent. The state also exported \$103.8 billion of goods in 1997. (In 1992, 92.5 percent of the exporters in the state were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 1,082,300 women-owned businesses in California, including part-time firms, employing 2,336,700 people and generating \$313.8 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 77.7 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 44.5 percent from 1987 to 1992, totaling 68,968 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 88.9 percent during the same time period with 249,717 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 147,633 in 1987, to 232,672 in 1992, representing a 57.6 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms increased 10.6 percent, while new business incorporations increased 6.8 percent. Financial difficulties leading to business bankruptcies decreased by 5.2 percent and business failures increased by 19.0 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in California decreased from 418 in 1994 to 339 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
WESTERN SIERRA NB	Cameron Park
BANK OF THE SIERRA	Porterville
SCRIPPS BK	La Jolla
SIX RIVERS NB	Eureka
COMMUNITY T&LA	Monterey Park
NARA BK NA	Los Angeles
BANK OF WALNUT CREEK	Walnut Creek
BUSINESS BK OF CA	San Bernardino
SAN JOAQUIN BK	Bakersfield
BANK OF YORBA LINDA	Yorba Linda
VALLE DE ORO BK NA	Spring Valley
ORANGE NB	Orange
PLUMAS BK	Quincy
CLOVIS CMNTY BK	Clovis
CUPERTINO NB&TC	Cupertino
TRI COUNTIES BK	Chico
WESTAMERICA BK	San Rafael
WELLS FARGO BK NA	San Francisco

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	624,407	249,911	174,229	295,077	(277,443)	1,066,182
Manufacturing	24,585	39,546	40,227	50,384	(197,584)	(42,842)
Retail Trade	55,078	11,823	17,760	9,371	(43,409)	50,623
Services	357,719	127,476	110,318	192,859	76,502	864,874
Other	187,025	71,066	5,926	42,462	(112,951)	193,527

Industries - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in California, followed by Business Services. The fastest

growing industry for small business is Holding & Other Investment Offices (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	10,957,751	100.0	54.3
Health Services	8000	1,055,189	9.6	40.4
Business Services	7300	906,715	8.3	49.0
Eating & Drinking Places	5800	809,193	7.4	67.1
Wholesale Trade - Durable Goods	5000	490,396	4.5	68.6
Eng., Acct., Research, Mngt., & Related Serv.	8700	396,443	3.6	61.0

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent small
Total - All Industries	1	5,945,285	100.0	54.3
Eating & Drinking Places	5800	543,055	7.4	67.1
Business Services	7300	444,031	8.3	49.0
Health Services	8000	426,179	9.6	40.4
Wholesale Trade - Durable Goods	5000	336,548	4.5	68.6
Special Trade Contractors	1700	293,576	2.9	92.6

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	5,945,285	140,636	2.4
Holding & Other Investment Offices	6700	20,936	2,276	10.9
Transportation By Air	4500	10,872	1,174	10.8
Primary Metal Industries	3300	16,780	1,676	10.0
Electric, Gas, & Sanitary Services	4900	12,215	1,195	9.8
Apparel	2300	125,444	9,787	7.8

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.